



Agenda Date: 3/16/2006
Agenda Item: 2E

STATE OF NEW JERSEY

Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.bpu.state.nj.us

ENERGY

IN THE MATTER OF THE PETITION OF
SOUTH JERSEY GAS COMPANY FOR)
APPROVAL OF INCREASED BASE TARIFF)
RATES AND CHARGES FOR GAS SERVICE
AND OTHER TARIFF REVISIONS

ORDER ADOPTING GLOBAL
SETTLEMENT AND INITIAL
DECISIONS

BPU DOCKET NO. GR03080683

IN THE MATTER OF THE PETITION OF
SOUTH JERSEY GAS COMPANY TO)
IMPLEMENT CERTAIN PROVISIONS OF
ITS RATE UNBUNDLING STIPULATION

BPU DOCKET NO. GR00050295

IN THE MATTER OF THE PETITION OF
SOUTH JERSEY GAS COMPANY
TO CHANGE THE LEVEL OF ITS BASIC
GAS SUPPLY SERVICE CHARGE

BPU DOCKET NO. GR04060400

IN THE MATTER OF THE PETITION OF
SOUTH JERSEY GAS COMPANY TO
DECREASE THE LEVEL OF ITS SOCIETAL
BENEFITS CHARGE (SBC) AND MAINTAIN)
THE LEVEL OF ITS TRANSPORTATION
INITIATION CHARGE (TIC)

BPU DOCKET NO. GR04080757

IN THE MATTER OF THE PETITION OF
SOUTH JERSEY GAS COMPANY TO
CHANGE THE LEVEL OF ITS TEMPERATURE
ADJUSTMENT CLAUSE (TAC)

BPU DOCKET NO. GR04091029

IN THE MATTER OF THE PETITION OF
SOUTH JERSEY GAS COMPANY)
TO CHANGE THE LEVEL OF ITS)
BASIC GAS SUPPLY SERVICE CHARGE)

BPU DOCKET NO. GR05060496

IN THE MATTER OF THE CONSUMER
EDUCATION PROGRAM ON ELECTRIC
RATE DISCOUNTS AND ENERGY)
COMPETITION)

BPU DOCKET NO. EX99040242

(Service List Attached)

BY THE BOARD¹

Between April 28, 2000 and July 3, 2005, South Jersey Gas Company ("SJG" or "Company") filed a number of petitions with the New Jersey Board of Public Utilities ("Board") seeking approval to modify or maintain certain tariff rates, including the Company's Societal Benefits Charge ("SBC"), Transportation Initiation Charge ("TIC"), Temperature Adjustment Clause ("TAC"), Basic Gas Supply Service ("BGSS") charge. In addition, during this time, the Company also filed a petition to increase base tariff rates for gas service and also made several proposals regarding consumer education and capacity allocation recovery. This Decision and Order addresses outstanding issues in the above referenced matters.

BACKGROUND

On April 28, 2000, SJG filed a petition with the Board in Docket No. GR00050295 seeking to implement certain provisions of its Rate Unbundling Stipulation², and the Company proposed to implement a Capacity Allocation Charge ("CAC"). The case was transmitted to the Office of Administrative Law ("OAL") and assigned to Administrative Law Judge ("ALJ") Todd Miller.

In response to a July 1, 2000 letter from the Board, on August 1, 2000, SJG made an initial filing with the Board in Docket No. EX99040242 requesting the recovery of \$550,000 for its Consumer Education Program ("CEP"). Numerous hearings were held and orders were issued concerning recovery of CEP costs. A public hearing was held on January 18, 2001 in Monroe Township, New Jersey. Discovery was conducted and the parties negotiated and entered into a Stipulation resolving Year One of the CEP. However, this filing is still pending.

On August 29, 2003, SJG filed a base rate petition in Docket No. GR03080683 requesting a base rate increase of \$52.7 million, offset by a BGSS decrease of \$6.6 million and to amend other tariff provisions. The Company subsequently amended its filing to reflect 12 month actual data and sought a base rate increase of \$46.5 million, offset by a BGSS decrease of \$6.6 million. The Company's filing was transmitted to the OAL and consolidated with Docket No. GR00050295 for hearing as a contested case before ALJ Miller. A public hearing regarding the consolidated case was held at Voorhees, New Jersey on December 10, 2003 and on June 10, 2004 in Hammonton, New Jersey. On June 30, 2004, a Partial Stipulation was entered into by the parties in the case, including the Company, Board Staff ("Staff"), the Division of the Ratepayer Advocate ("RPA" or "Ratepayer Advocate"), the New Jersey Large Energy Users Coalition ("NJLEUC"), Shell Energy ("Shell"), and Amerada Hess ("Hess"). The OAL issued its Initial Decision on July 8, 2004 and the Board issued its Order Adopting Stipulation and Initial Decision on July 8, 2004. As part of that Stipulation, all issues related to the Company's design day resources including the proper allocation and rate recovery of costs among and within each customer class and as between the Company's BGSS and transportation customers were to be reviewed and addressed in a Phase II of the base rate case proceeding.

¹ Commissioner Christine V. Bator recused herself on this matter pending the resolution of questions related to a potential conflict of interest.

² In the Matter of the Rate Unbundling Filings by Gas Public Utilities Pursuant to Section 10, Subsection A of the Electric Discount and Energy Competition Act of 1999, BPU Docket No. GX99030121, dated March 30, 2001.

On June 3, 2004, SJG filed a petition with the Board in Docket No. GR04060400 seeking authorization to increase the levels of its Periodic BGSS charge from its then current level of \$0.8767 per therm including taxes to \$0.9020 per therm including taxes to be effective October 1, 2004. In the filing, the Company also proposed that the gas cost portion of the D-2 Charge for Rate Schedule LVS be decreased to \$13.3065 per Mcf including taxes, the gas portion of the Firm D-2 charge for Rate Schedule EGS-LV be decreased to \$22.3889 per Mcf including taxes, the gas portion of the Limited Firm D-2 charge for Rate Schedule EGS-LV be decreased to \$6.2767 per Mcf including taxes and the non-commodity rate component of the Company's BGSS rate of \$0.01321 per therm excluding taxes be authorized for Rate Schedules GSG-LV, EGS, LVS and EGS-LV.

A public hearing regarding the 2004 BGSS petition was held on August 17, 2004 at Voorhees, New Jersey. An Interim Stipulation was entered into between the Company, Staff, and the RPA on September 21, 2004 and the Board issued an Order Approving the Stipulation for Provisional Rates on October 5, 2004. On October 29, 2004, the petition was transmitted to the OAL and consolidated with Phase II of the base rate case and assigned to ALJ Miller for hearing as a contested case.

On August 9, 2004, SJG filed a petition in Docket No. GR04080757 seeking authorization to decrease the level of its Societal Benefits Clause by \$2.7 million. In this docket the Company proposed to decrease the level of its: 1) Remediation Adjustment Charge ("RAC"), 2) Clean Energy Program ("CLEP") and 3) Consumer Education Program ("CEP"), which are all components of its SBC. The Universal Service Fund ("USF") and Lifeline Components of its SBC, had been approved by the Board on July 1, 2004, and were to remain unchanged.

On September 15, 2004, SJG filed a petition with the Board in Docket No. GR04091029 seeking to recover a \$1,221,234 deficiency in its TAC which arose in the 2003-2004 TAC base year.

On June 3, 2005, SJG filed a petition in Docket No. GR05060496 to change the level of the Company's BGSS clause. Supplemental Testimony and Exhibits were filed on June 10, 2005. The Petition was amended by letter dated July 22, 2005 to request that any increase granted by the Board be implemented on a provisional basis, effective on September 1, 2005. A public hearing was held on August 4, 2005 at Voorhees, New Jersey. A Stipulation for Provisional Rates was entered into by the Company, Staff, and the RPA on August 9, 2005. The Stipulation was adopted by the Board in its Decision and Order Approving Stipulation for Provisional Rates dated August 19, 2005 granting South Jersey's request. On October 31, 2005, this matter was transmitted to the Office of Administrative Law as a contested case, and was assigned to ALJ Todd Miller.

On November 10, 2005, South Jersey filed a Motion for Emergent Rate Relief proposing to increase its periodic BGSS charge for all applicable service classifications due to dramatic increases in wholesale natural gas costs. A public hearing was held on the Motion on December 7, 2005 at Voorhees, New Jersey. A Stipulation was entered into on December 9, 2005 by the Company, Staff, and the RPA. On December 15, 2005, the Board issued its Order on Emergent Motion for Further Provisional Rates, granting South Jersey an increase to the periodic BGSS rates, effective December 15, 2005. That Order provided that South Jersey's gas costs and purchasing strategies will be thoroughly examined in the ongoing BGSS proceeding at the OAL, and in the annual BGSS proceeding that will be filed on or before June 1, 2006. The Board also ordered its Divisions of Audits and Energy to expeditiously initiate a process for retaining an outside consultant to analyze the physical and financial hedging practices of all of New Jersey's gas distribution companies.

GLOBAL SETTLEMENT

The Company, Staff, the Ratepayer Advocate, Shell, Hess, and NJLEUC have conducted extensive discovery and have met to discuss the various outstanding issues in the above docketed petitions. As a result, the Company, Staff, and the RPA have entered into the attached Global Settlement. Hess submitted a letter to the Board dated February 16, 2006, stating that it takes no position regarding the Global Settlement. On February 17, 2006, NJLEUC, along with Shell, submitted a letter to the Board stating that they too take no position regarding the Global Settlement. The Global Settlement provides the following:

1. The parties to this Global Settlement agree that South Jersey will recover the related demand charges, commencing with the initial operation of the Transcontinental Gas Pipeline Corporation ("Transco") Central New Jersey Expansion Project (the "Project") in November 2005, and continuing thereafter, through South Jersey's BGSS Clause.
2. The parties further agree that in the future they will not challenge South Jersey's initial decision to participate in the Project. The foregoing agreement is based on South Jersey's representation that its participation in the Project will enable the Company to restructure its overall gas capacity and supply portfolio to the benefit of the Company's BGSS customers. The adequacy of the measures undertaken by the Company to restructure its portfolio (such as, for example, temporary or permanent capacity release and termination and replacement of current gas and transportation entitlements) and to market capacity that is not needed currently to meet the needs of the Company's customers, as well as the appropriate sharing of the cost savings, margins and other benefits resulting from such measures, shall be subject to discovery, review, and determination by the parties in the Company's 2005-2006 BGSS proceeding, Docket No. GR05060496, and future BGSS proceedings.
3. The parties to this Global Settlement agree that this Global Settlement resolves all issues related to the proper allocation and recovery of the fixed capacity costs of design day resources from customers (including the Project), as such design day resources exist as of the execution of this Global Settlement. This Global Settlement does not apply to future incremental capacity acquired by South Jersey.
4. The parties to this Global Settlement agree that South Jersey's balancing charge in Rider "J" (Balancing Service Clause – General Service) shall be increased from its current level of \$0.400 per dekatherm ("Dt"), including taxes, to \$0.500 per Dt, including taxes, which represents a 25% increase in this rate to the firm transportation customers that pay the Rider "J" charge.
5. The parties to this Global Settlement agree that South Jersey's balancing charge applicable to large volume customers shall be increased from its current level of \$0.027 per Dt, including taxes, to \$0.125 per Dt, including taxes.
6. All balancing charge recoveries, exclusive of taxes, will be credited 100% to the Periodic BGSS Clause.
7. The Periodic BGSS rate will be reduced by the amount of the Rider "J" Balancing Charge, \$.0500 per therm (\$.500 per Dt).
8. Upon Board approval, sales customers will become subject to a balancing service rider, pursuant to which they will pay the same rate as is set forth in Rider "I" (Balancing Service Clause – Large Volume) or Rider "J" (Balancing Service Clause – General Service), whichever is applicable, as adjusted by this Global Settlement. The net result will be no

immediate rate change to sales customers. However, the Periodic BGSS Clause will benefit from an increase in the credit from large transportation customers and an increase in the credit from Rider "J" transportation customers.

9. Except as set forth in this Global Settlement, there will be no change to the Periodic BGSS and Monthly BGSS structures as currently in effect.
10. The increase in the balancing charge represents the sharing of the cost responsibility for the Project by residential, commercial and large volume sales and transportation customers. The derivation of the balancing charge is shown within the context of Section III H of the attached Global Settlement.
11. The balancing charge of \$0.500 per Dt, including taxes, is applicable to the following customers:
 1. All transportation and sales customers subscribing to Rate Schedules RSG and GSG
 2. All transportation customers subscribing to Rate Schedules GSG-LV and EGS who elect to take balancing service pursuant to Rider "J" of the Company's tariff
 3. All sales customers subscribing to Rate Schedules GSG-LV and EGS.
12. The balancing charge of \$0.125 per Dt, including taxes, is applicable to the following customers:
 1. All transportation and sales customers subscribing to Rate Schedules LVS and EGS-LV.
 2. All transportation customers subscribing to Rate Schedules GSG-LV and EGS who elect to take balancing service pursuant to Rider "I" of the Company's tariff, and all customers subscribing to Rate Schedule CTS.
13. In order to properly implement the balancing charge to both Periodic and Monthly BGSS sales customers the following will apply:
 1. The BGSS Non-Commodity rate of \$0.925 per Dt applicable to Rate Schedules RSG, GSG, GSG-LV and EGS, excluding taxes, will be reduced by the amount of the balancing charge (\$0.471 per Dt, excluding taxes) to \$0.454 per Dt, excluding taxes.
 2. The BGSS non-commodity rate of \$0.925 per Dt applicable to Rate Schedules LVS and EGS-LV, excluding taxes, will be reduced by the amount of the balancing charge (\$0.118 per Dt, excluding taxes) to \$0.807, excluding taxes.
14. Consistent with its criteria for capacity planning described in Paragraphs 21 through 24 below, transportation customers subscribing to Rate Schedules CTS, LVS, and EGS-LV will be provided with a Standard Gas Service Agreement providing an "opt-out" provision. Customers electing this provision on said Standard Gas Service Agreement will pay the reduced balancing charge of \$0.027 per Dt, including taxes.
15. Customers electing the "opt-out" provision will be responsible for bringing their own interstate pipeline capacity and gas supply to South Jersey's city gate. A customer electing the "opt-out" provision will have no right or entitlement to have base load gas provided by South Jersey. However, a customer electing the "opt-out" provision shall be eligible to receive balancing services from South Jersey pursuant to appropriate rate schedules and riders. In the event that an "opt-out" customer does not provide for its interstate pipeline capacity, gas supply, or both, the customer must either discontinue the use of base load gas or have it provided by South Jersey on an "as-available" basis at the incremental price incurred by the Company to

serve the customer. The incremental price will be charged to the customer until the effective date of a new Standard Gas Service Agreement as provided for in Paragraph 17 of this Global Settlement.

16. As used herein, the incremental price charged to an "opt-out" customer shall be the sum of: (1) the highest commodity cost of gas paid by the Company during the month in which the "opt-out" customer uses "Company" gas; and (2) the higher of the cost of incremental capacity needed to serve the returning "opt-out" customer or the system weighted average cost of capacity, plus other charges which must be paid by customers eligible for South Jersey's Monthly BGSS charge.
7. An "opt-out" customer will become eligible to purchase base load gas from the Company or transport gas without "opt-out" status, upon six months' notice to the Company of intention to no longer be an "opt-out" customer, provided that prior to the expiration of the six-month notice period the Customer shall have entered into a new Standard Gas Service Agreement which includes the Customer's agreement to purchase base load gas or transport without "opt-out" status for a term of not less than one (1) year. Upon the effective date of the new Standard Gas Service Agreement, which shall be no sooner than the end of the six month period specified in said notice, the customer shall no longer be obligated to pay the incremental prices set forth in Paragraph 16, above. However, said customer will then be obligated to pay the higher balancing charge of \$0.125 per Dt, including taxes. The Company will not have the right to waive this six month notice requirement.
18. An EGS-LV "opt-out" customer will become eligible to purchase base load gas from the Company or transport gas without "opt-out" status upon six months' notice to the Company of intention to no longer be an "opt-out" customer. It will not be necessary for an EGS-LV "opt-out" customer to execute a new Standard Gas Service Agreement in order to purchase base load gas from the Company or transport gas without "opt-out" status. However, the customer must commit to purchase base load gas or transport gas without "opt-out" status for a minimum term of one (1) year. At the end of the six month period specified in said notice, the customer shall no longer be obligated to pay the incremental prices set forth in Paragraph 16, above. However, said customer will then be obligated to pay the higher balancing charge of \$0.125 per Dt, including taxes. The Company will not have the right to waive this six month notice requirement.
19. Recovery and allocation of the costs associated with any incremental design day capacity resource purchases shall be subject to review by all parties in the relevant BGSS proceeding, and approval by the Board. The review will take place during the same BGSS proceeding in which South Jersey seeks recovery. The review will include all of South Jersey's design day entitlements, in order to determine the prudence of the acquisition of the incremental capacity. Capacity shall be incremental, to the extent that it was not included within the Company's pending 2005-2006 BGSS proceeding, Docket No. GR05060496.
20. The parties to this Global Settlement agree that the threshold for eligibility for Monthly BGSS pricing will be as follows, effective April 1, 2006:
 - a. The Monthly BGSS charge is currently applicable to all sales customers served under Rate Schedules GSG-LV, LVS, EGS and EGS-LV. The Periodic BGSS

charge is currently applicable to all sales customers served under Rate Schedules RSG and GSG.

- b. Rate Schedule GSG-LV is currently applicable to all commercial and industrial ("C&I") customers who have an annualized usage of 100,000 therms or more. As stipulated by the parties in South Jersey's most recent base rate case, in Docket No. GR03080683, Monthly BGSS pricing is applicable to C&I sales customers using 100,000 therms or greater per year. Therefore, the Monthly BGSS charge is currently applicable to Rate Schedule GSG-LV, but not Rate Schedule GSG.
 - c. The parties to this Global Settlement agree that the 100,000 therm annual threshold level will be reduced to 5,000 therms annually or greater. Therefore, all C&I customers using 5,000 therms per year or greater will be subject to the Monthly BGSS charge.
 - d. South Jersey will develop an education and outreach program for customers affected by the threshold reduction. The education and outreach program will provide information on the nature and timing of the changes to the threshold, applicable rate schedules and options available to customers affected by the threshold reduction. On or before March 1, 2006 the Company shall submit a description of the overall plan, including a timetable for implementation, to Staff and the Ratepayer Advocate for review. Additional information and materials shall be submitted for review as available.
 - e. South Jersey will recover the amount of Periodic BGSS under-recovery (as of April 1, 2006) attributable to those GSG customers who will switch from Periodic to Monthly BGSS using the following calculation:
 - i. Calculate the percentage of total BGSS sales for the period October 1, 2005 through March 31, 2006, comprised of the BGSS customers that will be migrating to monthly BGSS pricing;
 - ii. Calculate the total BGSS under-recovery at March 31, 2006;
 - iii. Multiply the percentage from (i) by the balance from (ii) to determine the amount that the migrating customers will be responsible for and establish a separate tracking account for this amount;
 - iv. Calculate a recovery rate for monthly BGSS customers based on dividing the recovery amount from (iii) by the annual therms for the group of customers that migrated to monthly BGSS. This rate will remain in place until recovery of the Periodic BGSS under-recovery attributable to those GSG customers who switched from Periodic to Monthly BGSS pricing is complete. The parties reserve the right to change the recovery rate during the 2006-2007 BGSS proceeding.
 - f. The Company shall file quarterly reports with the Board, with a copy to the Ratepayer Advocate, detailing the status of the tracking account.
21. South Jersey will continue the role of planning for the capacity requirements of its customers. South Jersey will rely upon a combination of pipeline capacity, storage and peaking providers, on-system peaking resources, and capacity held by or on behalf of transportation customers.
22. In developing its design day analysis, and its planning process, South Jersey will include in its calculation of demand requirements, design day volumes associated with customers served under all sales rate schedules and transportation customers served under firm Rate Schedules RSG, GSG, GSG-LV, EGS, LVS, CTS and EGS-LV. South Jersey will exclude design day volumes associated with transportation customers served under Rate Schedules

LVS, CTS and EGS-LV that opt-out in accordance with Paragraph III of this Global Settlement, from its planning process.

23. In order to satisfy portfolio needs, South Jersey will acquire capacity resources from time to time. At the time of a capacity acquisition, South Jersey will evaluate the cost and non-cost characteristics of various resource alternatives, including flexibility and diversity, in determining the best type and specific resource needed to maintain reliable service. In making decisions to acquire capacity resources, South Jersey will always follow a "best value" strategy, pursuant to which it will acquire the lowest cost capacity consistent with the ability to maintain safe and reliable service. When South Jersey makes a decision to acquire a capacity resource, it shall be included in the next five year gas requirements and supply forecast, filed with the Board, with a copy provided to the Ratepayer Advocate. South Jersey's acquisitions of incremental design day capacity shall be subject to the procedures set forth in Paragraph 19 of this Global Settlement.
24. For planning purposes, South Jersey will rely upon transportation capacity (not acquire backup capacity) to the extent that volumes associated with transportation customers served under Rate Schedules RSG, GSG, GSG-LV and EGS (as well as those customers served under Rate Schedules LVS, CTS and EGS-LV who do not "opt out" in accordance with Paragraphs 14 through 19 of this Global Settlement) are less than or equal to 105,000 Dts/d. Should South Jersey project that the transportation market associated with these Rate Schedules will exceed 105,000 Dts/day, then South Jersey will rely upon (50%) of transportation volumes associated with RSG, GSG, GSG-LV and EGS (as well as those customers served under Rate Schedules LVS, CTS and EGS-LV who do not "opt out" in accordance with Paragraphs 14 through 19 of this Global Settlement) transportation customers that exceed 105,000 Dts/d. Attached to this Global Settlement as Attachment "A" are examples of the application of this policy related to capacity acquisition.
25. The Company proposed as part of its 2005-2006 BGSS proceedings, Docket No. GR05060496, to implement a capacity and portfolio enhancement mechanism, which is not addressed in this stipulation. The Company reserves the right to pursue its proposal as part of the 2005-2006 BGSS proceeding, subject, however, to the other parties' rights to oppose the Company's proposal and to make their own proposals with regard to the appropriate sharing, if any, of the benefits resulting from capacity and portfolio enhancements.
26. The parties to this Global Settlement agree to implement a storage incentive mechanism. The details of this program are attached to this Global Settlement as Attachment "B". An overview of this mechanism follows:
27. Pursuant to the Storage Incentive Mechanism, BGSS customers and South Jersey will share storage-related gains and losses on an 80/20 percentage basis, as measured by the difference between the actual cost of storage incurred by South Jersey (including the cost of the physical commodity, transportation costs and financial hedging costs) and an agreed-upon storage inventory cost benchmark established through NYMEX forward prices applicable to the April through October injection season, plus projected transportation costs. Speculative trading is not permitted under South Jersey's current risk management policy ("Policy"). If the Policy changes such that speculative trading is permitted, South Jersey will notify the parties to this Global Settlement. The parties to this Global Settlement agree that if such speculative trading should occur, any losses will be absorbed 100% by South Jersey; however any gains will be shared with customers on the 80/20 basis. Attachment "C" to this Global Settlement

provides examples of transactions that would and would not be considered speculative trading.

28. As set forth in Attachment "B" hereto, subject to the special rules provided in Paragraph 29 below, the Company will implement the storage incentive mechanism for the April 2006 through October 2006 injection season utilizing cost benchmarks established over an approximately thirty (30) day period. Cost benchmarks for subsequent injections seasons will be established over longer periods, as set forth in Attachment "B."
29. For the injection season April 1, 2006 through October 31, 2006, special rules will apply. They are as follows:
 - a. If from the date of approval of this Global Settlement by the Board, until March 1, 2006, the average NYMEX forward strip for the summer season months (April through October) is in excess of Ten Dollars (\$10.00) per Dt, then the Company will not "lock-in" gas purchases to establish a "benchmark".
 - b. Rather, the Company will, during the seven (7) day period preceding the commencement of each calendar month April through October 2006, purchase gas at the then-existing NYMEX index price (also known as the NYMEX settle) for said calendar month.
 - c. In such event, the weighted average of the seven (7) index prices for the calendar months April through October 2006 shall be the "benchmark" to which the storage incentive mechanism will be applicable.
 - d. Once a method for setting the benchmark is chosen for the seven (7) month period of April through October 2006, irrespective of whether it is a forward "lock-in" or utilization of monthly indexes, that method shall be used for the entire period.
 - e. If the benchmark is the weighted average of the monthly indexes, the actual benchmark will not be known until some time after October 1, 2006.
 - f. If from the date of approval of this Global Settlement by the Board, until March 1, 2006, the average NYMEX forward strip for the summer months (April through October) is not in excess of Ten Dollars (\$10.00) per Dt, then the Company will "lock-in" gas purchases to establish a "benchmark" over an approximately 30 day period, as set forth in Paragraph 28 above.
 - g. The storage incentive mechanism will be implemented as a Pilot Program. As such, any party may request that the Board terminate the storage incentive mechanism after October 31, 2008.
30. The Parties to this Global Settlement agree that, subject to the provisions of Paragraphs 33 and 35 below, all issues in the following dockets are resolved: GR04080757; GR04091029; and EX99040242. As a result, effective with an order of the Board authorizing this Global Settlement, the following rates will be applicable:
 - a. A reduction in the RAC rate from \$0.0027 to -\$0.0032 per therm (negative);
 - b. A reduction in the CLEP from \$0.0142 to \$0.0128 per therm;
 - c. No change in the USF/Lifeline current rate of \$0.0136 per therm;
 - d. No change in the TIC rate of \$0.0002 per therm; and
 - e. An increase in the TAC rate from \$0.0000 to \$0.0038 per therm.

31. The net effect of the implementation of these rates will be a rate decrease of \$0.0048 per therm. This equates to a rate decrease of 0.3% for a customer using 100 therms per month during a winter month.
32. South Jersey agrees to withdraw its proposal, set forth in its 2004-2005 SBC/TIC proceeding, Docket No. GR04080757, to amend the carrying cost rate which it credits to the RAC for deferred tax benefits. In future petitions, South Jersey will include in supporting schedules, deferred tax credits calculated in accordance with the current Board-approved methodology. However, this shall not prevent South Jersey from seeking a modification to the calculation of deferred tax benefit credits in future proceedings.
33. The Parties to this Global Settlement acknowledge that there is a pending audit in the proceeding *Focused Audit of Affiliated Transactions and Management Audit*, BPU Docket No. AX04040277. The Final Report issued in connection with such audit was released by the Board for comment on February 1, 2006. Notwithstanding any other provisions in this Global Settlement to the contrary, the parties hereto shall have the right to review, engage in discovery, and seek disallowances and/or adjustments in ratemaking treatment with regard to gas supply and remediation-related activities, transactions and costs as to which the Final Report concludes that South Jersey was imprudent, or has not complied with the Board's Affiliate Standards or other regulations. The parties shall have the right to fully pursue the ratemaking implications of such activities, transactions, and costs without regard to the Board's disposition of the Final Report. The parties further reserve their rights to seek any relief that may be appropriate as part of the audit proceedings.
34. Because the Parties have not completed discovery in Docket No. GR05060496, South Jersey's 2005-2006 BGSS proceeding, that proceeding is not resolved by this Global Settlement, except for those issues that are specifically addressed by this Global Settlement.
35. The Tariff sheets necessary to implement this Global Settlement are attached to this Global Settlement as Attachment "D". The Parties to this Global Settlement agree that these Tariff sheets should be accepted by the Board, to be effective April 1, 2006.

INITIAL DECISION

On February 17, 2006, ALJ Todd Miller issued his Initial Decisions in Docket Nos. GR03080683, GR00050295, GR04060400, and GR05060496. ALJ Miller found that the signatory Parties to the Stipulation voluntarily agreed to a settlement in these matters and that the settlement fully disposes of all issues in controversy and is consistent with the law and in the public interest. No exceptions or reply exceptions were filed with the Board.

On March 8, 2006, SJG filed a letter with the Board correcting two typographical errors in the Global Settlement. There are no material impacts on the Global Settlement as a result of these corrections.

DISCUSSION AND FINDINGS

Subsequent to the signing of the Global Settlement and the issuance of the ALJ's Initial Decisions, Staff met with the Company to discuss the continuance of the Consumer Education rate in the tariffs. The Global Settlement provided that the Consumer Education Program rate was to be reduced from

\$0.0029 to \$0.0016 per therm. Due to concerns raised by Staff, the Company has agreed to further reduce the CEP rate to \$0.0000, and within the context of its next SBC filing, will remove the CEP reference from the tariff.

On March 15, 2006, SJG filed a letter with the Board regarding certain definitions in the Global Settlement. In discussions between the parties, it was determined that the phrase "speculative trading" contained in Section VII of the attached Global Settlement was not adequately defined. It was agreed by the parties that for the purposes of this settlement, the term "non-speculative trading" is the buying and selling of equal volumes, which occur at the same time. That is, a position should not remain open longer than physically necessary to execute to offsetting transaction.

In addition, the parties have agreed that the Company will file with the Board and the RPA a monthly report, detailing all natural gas trades associated with the storage incentive program, as set forth in the program discussed in Section VII. Should an exception occur, whereby SJG engages in a trade that remains in an open position past the timeframe described above, such exception will be specifically identified within the report along with an explanation. In the event that such an exception should occur, SJG will bear the burden of demonstrating that such trade is not speculative.

Moreover, SJG's currently effective Risk Management Policy does not allow for "speculative trading". Should the Risk Management Policy be amended in such a way as to allow for "speculative trading" SJG will promptly provide written notice to the RPA and the Board.

Having reviewed the Global Settlement, the Initial Decisions, and subsequent clarifications to the Global Settlement, the Board is satisfied that the Global Settlement represents a fair and reasonable resolution of the issues and is in the public interest. The Board notes that the proposed Global Settlement is the result of significant negotiations among the parties, and is responsive, to and balances the respective needs of both the utility and its customers. Accordingly, the Board HEREBY ADOPTS the attached Global Settlement with clarifications and ALJ Miller's Initial Decisions as its own, and incorporates their provisions herein, as if they were fully set forth herein, effective on the date of this Order.

The Board further notes that all issues relating to the BGSS costs for the period beginning October 1, 2004 through September 30, 2005 have been examined and are resolved. Therefore, the Company's provisional BGSS rates approved and made effective with the Board's order of October 5, 2004 shall be considered final.

Pursuant to the Board's December 15, 2005 Order in Docket No. GR05060496, the Board directed Staff to hire a consultant to analyze the gas hedging practices of all four gas distribution companies and to provide the Board with reports and recommendations regarding these practices. Approval of this Global Settlement shall not preclude the Board from taking any actions deemed appropriate as a result of that Board directive.

As a result of the Global Settlement and the reduction of the CEP rate to \$0.0000, the net effect of the implementation of these rates will be a rate decrease of \$0.0064 per therm. For a typical residential customer using 100 therms per month during a winter month, this equates to a 0.4% decrease.

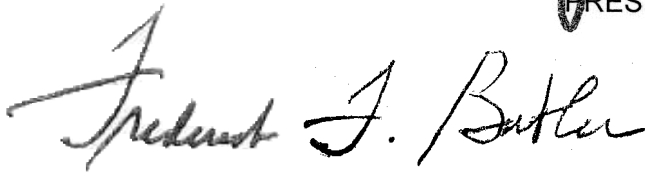
The Board notes that the Stipulation includes attached draft tariff sheets, which the parties are currently reviewing prior to finalization. Subsequent to the completion of that review, but no later than ten (10) days after the date of this Order, the Company shall file final tariff sheets consistent with the terms of this Order.

The Company's BGSS costs and each of the components of the Company's SBC costs shall remain subject to audit by the Board. This Order shall not preclude the Board from taking any actions deemed to be appropriate as a result of any such audit.

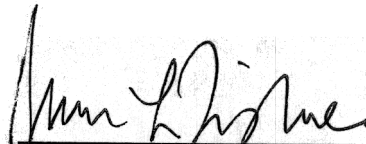
DATED: 3/27/06

BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER

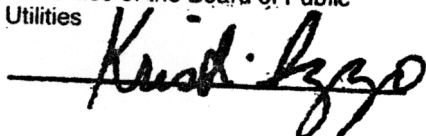

CONNIE O. HUGHES
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within
document is a true copy of the original
in the files of the Board of Public
Utilities



I/M/O THE OF THE GLOBAL SETTLEMENT OF SOUTH JERSEY GAS COMPANY
DOCKET NOS. GR03080683, GR000550295, GR04060400, GR04080757, GR04091029,
GR05060496, EX99040242

SERVICE LIST

Kristi Izzo, Secretary
NJ Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Nusha Wyner, Director
Division of Energy
NJ Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Dennis Moran, Assistant Director
Division of Energy
Two Gateway Center
Newark, NJ 07102

Alice Bator, Chief
Bureau of Rates and Tariffs
Division of Energy
NJ Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Sheila Iannaccone, Chief
Bureau of Revenue Requirements
Division of Energy
NJ Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Rene Demunyck
Division of Energy
NJ Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Henry Rich
Division of Energy
NJ Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Stacy Peterson
Division of Energy
NJ Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Jacqueline Galka
Division of Energy
NJ Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Beverly Tyndell
Division of Energy
NJ Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Scott Sumliner
Division of Energy
NJ Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Robert Schultheis
Division of Energy
NJ Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Lisa Nicastro
Division of Energy
NJ Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Vern Cumarasegaran
Division of Energy
NJ Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Alexander C. Stern, Esq.
NJ Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Lance Miller
Office of the Chief of Staff
NJ Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Mona Mosser, Chief
Bureau of Conservation & Renewable
Energy
NJ Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Helene Wallenstein, DAG
Dept. of Law & Public Safety
Division of Law
124 Halsey Street, 5th Floor
P.O Box 45029
Newark, NJ 07101

Babette Tenzer, DAG
Dept. of Law & Public Safety
Division of Law
124 Halsey Street, 5th Floor
P.O. Box 45029
Newark, NJ 07101

Margaret Comes, DAG
Dept. of Law & Public Safety
Division of Law
124 Halsey Street, 5th Floor
P.O. Box 45029
Newark, NJ 07101

Seema M. Singh, Director
Division of the Ratepayer Advocate
31 Clinton St., 11th Floor
P.O. Box 46005
Newark, NJ 07101

Felicia Thomas-Friel, Managing Attorney
Division of the Ratepayer Advocate
31 Clinton St., 11th Floor
P.O. Box 46005
Newark, NJ 07101

Sarah H. Steindel, Esq.
Division of the Ratepayer Advocate
31 Clinton St., 11th Floor
P.O. Box 46005
Newark, NJ 07101

Christine M. Juarez, Esq.
Division of the Ratepayer Advocate
31 Clinton St., 11th Floor
P.O. Box 46005
Newark, NJ 07101

Paul Flanagan, Esq.
Division of the Ratepayer Advocate
31 Clinton St., 11th Floor
P.O. Box 46005
Newark, NJ 07101

Mally Becker, Staff Attorney
Division of the Ratepayer Advocate
31 Clinton St., 11th Floor
P.O. Box 46005
Newark, NJ 07101

Kurt S. Lewandowski, Esq.
Division of the Ratepayer Advocate
31 Clinton St., 11th Floor
P.O. Box 46005
Newark, NJ 07101

Badhrn Ubushin, esq.
Division of the Ratepayer Advocate
31 Clinton St., 11th Floor
P.O. Box 46005
Newark, NJ 07101

Susan McClure, Esq.
Division of the Ratepayer Advocate
31 Clinton St., 11th Floor
P.O. Box 46005
Newark, NJ 07101

Andrea Crane
The Columbia Group, Inc.
P.O. Box 810
One North Main Street
Georgetown, CT 06829

Brian Kalcic
Excel Consulting
225 S. Meramee Avenue
Suite 720T
St. Louis, Missouri 63101

David Peterson
Chesapeake Regulatory Consultants, Inc.
10351 Southern Maryland Boulevard
Suite 202
Dunkirk, MD 20754-9500

Ira G. Megdal, Esq.
Cozen O'Connor
Liberty View, Suite 300
457 Haddonfield Road
Cherry Hill, NJ 08002

Douglas W. Frankenthaler, Esq
Cozen O'Connor
Liberty View, Suite 300
457 Haddonfield Road
Cherry Hill, NJ 08002

David A. Kindlick, Exec. V.P. and CFO
South Jersey Gas Company
One South Jersey Plaza
Route 54
Folsom, NJ 08037

Samuel a. Pignatelli, V.P.
Rates & Regulatory Affairs
South Jersey Gas Company
One South Jersey Plaza
Route 54
Folsom, NJ 08037

Gary P. Dean, Manager
South Jersey Gas Company
One South Jersey Plaza
Route 54
Folsom, NJ 08037

Michael Halter, Manager
Environmental Affairs
South Jersey Gas Company
One South Jersey Plaza
Route 54
Folsom, NJ 08037

Kenneth T. Maloney, Esq.
Cullen & Dykman Bleakley Platt, LLP
1101 14th Street, N.W.
Washington, DC 20005

Steven S. Goldenberg, Esq.
Fox Rothschild LLP
997 Lenox Drive, Building 3
Lawrenceville, NJ 08648

Paul Forshay, Esq.
Sutherland, Asbill & Brennan, LLP
1275 Pennsylvania Avenue, N.W.
Washington, DC 20004

Wanda M. Schiller, Esq.
Assistant General Counsel
Amerada Hess Corporation
One Hess Plaza
Woodbridge, NJ 07095

Edwin P. Anderson, Principal
R.J. Rudden Associates
898 Veterans Memorial Highway
Hauppauge, NY 11788

Steven Vitale
Senior Associate Consultant
R.J. Rudden Associates
118 Fern Drive PMWF
Dingmans Ferry, PA 18328

H. Edwin Overcast, Principal
R.J. Rudden Associates
133 Robson Trail
McDonough, GA 30252

Andy Byers
Black and Veatch Corp.
11401 Lamar Avenue
Overland Park, KS 66211

Dan P. Yardley, Principal
Yardley & Associates
3 Apollo Circle
Lexington, MA 02421

Fred J. Abbate
New Jersey Utilities Association
50 West State Street, Ste 1106
Trenton, NJ 08608

Yolanda Garie
GPU Energy
300 Madison Avenue
P.O. Box 911
Morristown, NJ 07962-1911

John McCulloough
GPU Energy
300 Madison Avenue
P.O. Box 911
Morristown, NJ 07962-1911

Lawrence E. Sweeney
GPU Energy
300 Madison Avenue
P.O. Box 911
Morristown, NJ 07962-1911

Gary D. Plummer
GPU Energy
2800 Pottsville Pike
P.O. Box 16001
Reading, PA 19640-0001

Julie Stout
GPU Energy
150 West State Street
Trenton, NJ 08608

Mary Ann Martin
New Jersey Natural Gas Company
1415 Wyckoff Road
P.O. Box 1465
Wall, NJ 07719

J.M. Castaldi
Conectiv
5100 Harding Way
Mays Landing, NJ 08330

Lee Wasman
Conectiv
5100 Hardinig Way
Mays Landing, NJ 08330

Lynne DelTosto
PSE&G
80 Park Plaza, T23C
PO Box 570
Newark, NJ 07101-0570

Suzanne Daycock
Executive Director
Mid-Atlantic Power Supply Association
6 E. Main Street, Ste 6e
Ramsey, NJ 07446

Gregory Dunlap
PSE&G
80 Park Place
Newark, NJ 07102

Kathleen Ellis
PSE&G
80 Park Place
Newark, NJ 07102

Tom Kenyon
PSE&G
80 Park Place
Newark, NJ 07102

Christopher Reardon
NUI Corporation
One Elizabethtown Plaza
PO Box 3175
Union, NJ 07083-1975

Donald Reisman
NUI Corporation
One Elizabethtown Plaza
PO Box 3175
Union, NJ 07083-1975

Joanne Brigandi
South Jersey Gas
One South Jersey Plaza
Folsom, NJ 08037

Randy Ryerson
South Jersey Gas
One South Jersey Plaza
Folsom, NJ 08037

Laura Conover
New Jersey Resources
1415 Wyckoff Rd.
PO Box 1468
Wall, NJ 07719

Cecile C. Drier
Rockland Electric Company
One Blue Hill Plaza
Pearl River, NY 10965

Edie Brower, Deputy Director
Division of Consumer Affairs
124 Halsey Street
PO Box 45027
Newark, NJ 07101

Sandra Chen
Dept. of Environmental Protection
Office of Air Quality Management
401 E State St.
PO Box 418
Trenton, NJ 08625-0418

Stephanie Ferrier, Director
Constituent Relations
Department of the State
125 West State Street
PO Box 300
Trenton, NJ 08625

David Heins, Director
Division of Family Development
Dept. of Human Services
PO Box 716
6 Quakerbridge Plaza, Bldg 6, 3rd Floor
Trenton, NJ 08625-0716

James H. Houston, Assist. Comm
Dept. of Health and Senior Services
Div. of Management and Administration
PO Box 360
Warren & South Broad Street
Trenton, NJ 08625

Catherine McTernan
Chief of Consumer Education
Division of Consumer Affairs
PO Box 45027
124 Halsey Street
Newark, NJ 07101

Michael A. Rambert
Sr. Advisor/Venture Finance
NJ Commerce & Economic Growth Comm
20 S Warren St. 5th, 5th Floor
PO Box 820
Trenton, NJ 08625

Joseph R. Gates
Program Manager Coordinator
Dept. of Community Affairs
101 S. Broad Street
PO Box 806
Trenton, NJ 08625